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What Makes Prosperity--- Man or Machine?

Moderator, JAMES MURRAY, JR.

S p e a k e r s

PAUL MAZUR

ROBERT BYFIELD

—★—
COMING—

—October 13, 1953—

Should We Talk With Russia?

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The account of the meeting reported in this Bulletin was transcribed from recordings made of the actual broadcast and represents the exact content of the meeting as nearly as such mechanism permits. The publishers and printer are not responsible for the statements of the speakers or the points of views presented.

THE SPEAKERS' COLUMN

ROBERT S. BYFIELD—Member of New York Stock Exchange; financial writer; and member of the New York Society of Security Analysts. Mr. Byfield was born in Chicago, Illinois, in 1896. He was graduated from Cornell University and served in France during World War I. He was a member of "The World Town Hall Seminar" in the summer of 1949, Town Meeting's round-the-world visit to thirteen foreign capitals. He served on the staff of ex-president Hoover for the American Relief Missions to Czechoslovakia and Austria in 1919. He has held a number of directorships on the New York Stock Exchange, has published widely in such financial papers as *Barron's*, the *Wall Street Journal*, and the *Manufacturer's Record* of which he is financial editor, and is an associate member of the New York Curb Exchange. He is now serving as the New York Stock Exchange's representative to the United Nations.

PAUL MAZUR—Senior partner of Lehman Brothers; author of *The Standards We Raise*. (1953). Mr. Mazur was born in Boston, Massachusetts, on December 9, 1892, and was graduated from Harvard University with a degree in economics in 1914. Mr. Mazur began his business career at Filene's department store in Boston, interrupting it during World War I to serve as a Captain in the Artillery Ordnance. After the war, he went to work for William Boyce Thompson, the philanthropist. At the same time, Mr. Mazur's interest in the merchandising field was continued through research and advisory work for the National Retail Dry Goods Association. A partner of Lehman Brothers since 1927, Mr. Mazur is also a director of Bloomingdale Brothers, Inc., Western Union Telegraph Co., Dayton Rubber Manufacturing Co., and the Federated Department Stores, Inc. He is author of *Principles of Organization Applied to Modern Retailing*, *America Looks Ahead* (1930), *New Roads to Prosperity*, and a new book, *The Standards We Raise* (1953).

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What Makes Prosperity—Man or Machine?

Announcer:

Your Town Meeting originates over half its broadcasts from communities all over the country. On October twentieth the program will continue its tour with a broadcast from the Park Street Church in Boston. The following week, October twenty-seventh, will take Town Meeting to the Town Hall in Levittown, Long Island. On November third, Alliance College at Cambridge Springs, Pennsylvania, will be host to a Town Meeting broadcast on their campus. On November tenth, the program will be the highlight of the annual meeting of the International House World Organization to be held at International House on Riverside Drive, New York.

America's Town Meeting is now preparing its 1954 tour schedule. If you are a member of a local or national organization, Chamber of Commerce, College, University, or other similar community group and would like to bring Town Meeting to your city, write for information to: Town Meeting, Tour Department, New York 36, N. Y.

Now, to preside as moderator for tonight's discussion, here's the noted New York attorney and international counsel, James F. Murray, Jr. Mr. Murray.

Moderator Murray:

Few pieces of communist propaganda have been more thoroughly discredited than the constant predictions of economic collapse in the United States. Some of the Kremlin's more fanciful prophets have been purged for their errors in this regard; others have retreated from their original forecasts. But big and large, Soviet leaders cling tenaciously to the theory that democratic free enterprise is pre-

destined to self-destruction. Now, despite communist fear-mongers on the one hand and the sincere misgivings of some of our own spokesmen on the other, our economic health has remained remarkably sound in the wake of major adjustments following World War II, the Korean War, a change in governmental administration in Washington, the post-Stalin Soviet peace offensive, and the Korean armistice.

It is the primary concern of every American to keep our country strong and prosperous, yet do we know precisely what it is that makes for prosperity in the nation? Is our high and expanded standard of living dependent on the competitive enterprise of business and industry, on the skill and diligence of our workers, on the thrift and intelligence of our citizens, or is it rather dependent on our overwhelming technological superiority, the incredible development of the machine, and our ever-expanding facilities for mass production? "What Makes Prosperity—Man or Machine?"

The answer to this question, or at least an understanding of the complex factors involved in the problem, is vital to every American if we are intelligently to meet the challenge of maintaining our economic standards and world leadership in the deepening crisis which surrounds us. Our first guest on this evening's Town Hall Meeting of the Air, who will discuss this problem with us, is Mr. Paul Mazur. Mr. Mazur has been a partner of Lehman Brothers since 1927 and a director of several corporations, as well as a student of distribution and author of five books. His latest book is the thought-provoking volume just pub-

lished this week entitled, *The Standards We Raise*. Mr. Mazur.

Mr. Mazur:

Historically, economics has played a vital role in the unfolding drama of men. The tenets of Marx are likely to influence our lives for a long time, even more than nuclear fission or fusion. Periodically, economic principles have reached a stage of radical change in their content and application, and such a change seems to be upon us now. For thirteen years, we have lived under the influence of hot war or cold war. To an important degree, our economy has been greatly affected by military preparations. Presently, we are spending over 50 billions for defense. We have withdrawn millions of men and women from the ranks of peacetime activity.

Nevertheless, we are creating buyers' markets. We are increasing inventories of civilian goods, many prices are softening and too many businessmen and their advisers are talking about recession and depression. We have over-produced somewhat for our present consumption level and we must correct that error. What will happen, not if real peace should come—that is too improbable—but when our capacities grow and thereby decrease the force of the impact of war-preparedness?

We need not have a depression; we *must* not have a depression. The men and women of the free world and the free world itself would be injured by a depression. Only Russia would be pleased. Machines make goods; they make goods faster and cheaper than man's hands. But machines are active and productive only when sales are adequate and continuous, so that production can be safely and uninterruptedly maintained.

The needs and desires of men and women determine the *potential* activity of the economy, and when those needs and desires are converted into demand and purchases, then they determine the *real* activity of our economy.

The needs of men and women can be as primitive as those of the Chinese or they can be as multiple as our own. The desires of men are unlimited. Together, needs and desires as expressed in actual demand make up our standard of living, and it is the standard of living of us Americans that creates our mass markets and makes possible the benign benefits of our mass production. It is this standard of living which must increase in order to create sales adequate for our productive mechanism and for the growth necessary to employ our men and women.

Machines are essential, of course, for our method of mass production, but it is the standard of living of the men and women which supplies the grist for the wheels of our mills. The emphasis within our economy has shifted from production to consumption. We must build men's consumption level to equal our rate of production, or we will have to reduce our production to fit the present rate of consumption. There is no other alternative. (*Applause*)

Mr. Murray: Thank you, Mr. Paul Mazur. Our second guest this evening is Robert S. Byfield, financial writer and member of the New York Stock Exchange. Mr. Byfield is a native of Chicago and a graduate of Cornell University. In 1919, he served on the staff of ex-President Hoover for the American Relief Mission to Czechoslovakia and Austria. Mr. Byfield was also a member of the World

own Hall Seminar in the summer 1949, Town Meeting's 'round-the-world visit to 13 foreign capitals. He is now serving as the United Nations' representative of the New York Stock Exchange. Mr. Robert S. Byfield.

Mr. Byfield:

New babies born in America will, as the saying goes, need shoes, but they will also need shoe factories; they need milk, but they also need dairies. They need clothes but also spindles, looms, and textile mills—not to forget electric power plants, locomotives, and blast furnaces. Since our population, now over 160 million, is growing at the fast rate of about 1½ per cent a year, we must match that figure with rising productivity just to keep from falling behind. Our scale of living is really the outcome of a race between the inventor, the worker, and the investor on one side, and the stork on the other. Only through increasing our productivity can we earn more and buy more.

In the last hundred years our scale of living, our prosperity, has never been equaled in all human history. Now what has sparked our material progress in the last hundred years? Plenty of raw materials such as iron ore, coal, oil, fertile soil, forests, good climate—well, they have helped, but that doesn't tell the story. We are a have-not country in some respects; we need many important essentials. Well then, how about human energy, that is, plain ordinary muscle power? Good, but not enough. Nations have had it for centuries and still remained poor. We are one of the few people on earth who have never experienced a famine.

So, the answer is just one word

—tools. Let me illustrate: China has an old civilization; she has plenty of raw materials and plenty of hard-working man power, but her scale of living is low. Suppose two husky Chinese were digging a foundation; they would use ordinary hand shovels and maybe earn fifteen cents a day. But now suppose two Americans are digging a foundation; they earn fifteen dollars a day and they are worth it. They aren't any stronger than the Chinese but they can outdig them, not a hundred to one but perhaps two hundred to one, because they've got a steam shovel and a ten-ton truck—tools, that is.

And now we've got the essence of the American story. To raw materials, we have added human energy and multiplied it many times by the implements of production which we call machines or tools. In each ten-year period since 1850, we have increased our productivity by one-fifth. In 1850, the energy for production was supplied 15 per cent by man power, 79 per cent by animals, such as horses and mules, and only 6 per cent by mechanical energy and power tools. Today we are 92 per cent mechanized, with man power and animal power each contributing only four per cent. So here we are with 6 per cent of the world's population and only 7 per cent of the world's land area producing half of the world's goods, and we can keep right on forging ahead.

We are far from perfect. We have not abolished poverty and, of course, bombs could destroy our cities, factories, kill our people, but we could in time rise again. What could destroy us for keeps is ignorance of the economic facts of life. We must learn and never forget the sources of our strength

and never let them wither away. The late Wendell Willkie once said, "Only the productive can be strong and only the strong can be free." Our prosperity, our material strength, are due not to men alone or to machines alone, for man created the machines, but to the unique American over-all concept of production—in other words, our attitude toward the machine.

Yet behind the machine is the inventor, the research laboratory, and all of the technologies that make it possible. And behind all these, and too often forgotten, is the stark fact, often so annoying to the idealist and infuriating to the collectivist, that you can't have capitalism without capital. You can't have tools and technologies and material welfare without saving and thrift and investment. We cannot have progress if we spend more than we earn or if we consume more than we produce. So you see baby needs capital as well as shoes.

And it goes without saying that only a nation of free men could have done the job, free men blessed with a charter of liberties and a Constitution and Bill of Rights, a government by the consent of the governed with limited powers and responsible to the will of the people. (*Applause*)

Mr. Murray: Thank you, Mr. Robert S. Byfield. Well, gentlemen, you have given your respective positions, with Mr. Mazur placing some emphasis rather on the importance of man, our 160 million men and women in the United States, and Mr. Byfield stressing man's attitude toward the machine and the machine itself in tonight's problem, "What Makes Prosperity—Man or Machine?" But it appears to me that perhaps

the most direct approach at the outset might be to have a satisfactory definition of precisely what we mean by prosperity. Would you care to undertake that definition, gentlemen?

Mr. Byfield: Well, I think prosperity means material well-being; it means perhaps something psychological. I think if I had to define it I would say that for the average person in America it is the ratio between the amount of goods he can command and the amount of services that he can command related to what he would *like* to command. In other words, it is to some extent psychological.

Mr. Murray: Mr. Mazur, do you have any other definition?

Mr. Mazur: Well, I think generally what Bob says is correct. I would add that there must be included a level of employment which allows the individuals in an economy or in a society to look forward to the ability to buy goods on the basis of past experiences and past patterns and some improvement in those patterns.

Mr. Murray: Would you gentlemen agree that there is any one facet of American economic life today which we might call the key to our prosperity?

Mr. Byfield: Well, I happen to think that it is, as I said, the American conception of production, and I think that prosperity has been sparked by technology. In other words, it isn't a question of such arbitrary things as continually raising wages. You can't create purchasing power just by raising wages, because if you raise wages up and above your productivity, you are merely causing inflation.

Mr. Mazur: Well, I wonder if I might refer to Bob's opening

remarks a little bit. There may be a confusion in the area of agreement or disagreement. I don't think anybody who observes the American scene can object to or disagree with the importance of the machine. The question is whether or not the machine is the more important thing. He is quite right when he says we've had no famines, but I also would remind him that we have had depressions. He is quite right when he talks about the Chinese. The Americans can earn twice as much, but we have to grow in order to make up for the technological unemployment that is created.

Now he is quite right about Willkie's statement that only the productive can be strong and only the strong can be free. But Mr. Willkie was defeated because there was the shadow of a depression that was still over the land at that time. It is true that we can't spend more than we earn except for a short time and, interestingly enough, the only times in American history when we spend more than we earn is at the bottom of a depression and not at the height of prosperity.

I think that the American economic system, the mass production system, is very benign so long as it continues. It creates high wages; it creates technology of improvement; but it also creates unemployment unless you have an offset in growth. The offset in growth must come from an economy that is always expanding. In my own humble opinion, the way that economy expands is through the fact that people keep on wanting more, not that you have more people, because they also are producers as well as consumers, but the level of consumption must increase.

Mr. Byfield: Well, Paul, I think you've put the cart before the horse. Let me give you what I think creates purchasing power. I don't think it is quite as simple as you indicate. Take an ordinary mechanical refrigerator. And, let's say the average person had to work three hundred hours to buy that refrigerator. That refrigerator lasts for six years. Now suppose a lot of improvements come along, and instead of having to work for three hundred hours for the next refrigerator he buys, he only has to work for two hundred hours to buy it, and instead of lasting six years it is going to last for ten years.

Well, now, that is technology. The reason that that creates purchasing power is that in doing that you are able to raise the wages of the people who produce the refrigerator; you are able to let the man who buys that refrigerator work a hundred hours of his time to buy something else, perhaps a washing machine.

Mr. Mazur: That's right. I don't think there is any question that production of that refrigerator creates the purchasing power. The question behind that is, what creates the production? In this magnificently economical method of producing refrigerators, the probabilities are that the increased market for refrigerators has been the reason for the low price. If you were producing a thousand refrigerators, then you wouldn't be able to produce for two hundred hours instead of three hundred hours. That is the reason that we can produce automobiles in this country at extraordinarily low prices, as compared to the European prices of automobiles, even though our wage level is higher, because we have a market in this

country normally for five and a quarter million cars. This year we are trying to push it perhaps to six million.

It is the very mass market which creates the division of labor and allows this productive mechanism to continue. The moment it doesn't exist, the moment that mass market doesn't exist, then we really get throttled with inventories and with the necessity of stopping production. And when we stop production we have either recession or depression. By the way, about 50 per cent of our depressions in the United States are pure inventory depressions, as a result of the lack of correlation between production and consumption. So you must have the mass market continuously increasing in order to employ this extraordinary mechanism called mass production and create this extraordinary benefit through technology.

Mr. Byfield: Well, I still think you have the emphasis on the wrong side. Now let's take the electric light and power industry. Nothing has quite exceeded that for sheer miracles. Twenty years ago, it cost twice as much to buy a kilowatt-hour of electricity. Now why can you buy electric current cheaper today than you could then? In the first place, there are tremendous engineering improvements. They are really very simple. Twenty years ago, it took two pounds of coal to produce one kilowatt-hour of electricity. But today the average is down to one pound of coal per kilowatt-hour.

Well, now, that has enabled the electric light and power company to cut the price of electricity in half in the face of rising prices for coal. I will admit that one of the reasons that they can sell that electricity cheaper is that the mass market for electricity has been

developed. It has partly been developed again by the machine, by all the gadgets, such as washing machines, refrigerators, radios, television sets, which use electric current. So you don't up a demand through invention.

Now you couldn't have done any of those things unless the engineers had designed boilers that used higher steam pressures, higher temperatures, to be able to be more efficient. In my opinion, the emphasis has been on the technology and the engineering aspect of this. I grant you that it couldn't have been possible without the consumer, but I think the engineering phases of it came first.

Mr. Mazur: I am not raising any question as to whether or not we had an incubator that produced it. I think the wheel, probably, was the most important of all the developments, and that is a long time in the past. Engineering is an extraordinary job. These gadgets to which you refer are enormous consumers of electricity; so is our rural electrification activity in the United States; so is our whole educational program in the United States.

But in the spreading of those gadgets over the landscape so that they have become huge markets, I think you will find that the mass production marketing method, using all of the devices, imitations, the phrase that we use, "keeping up with the Joneses," the desire for all Americans to benefit, increase of leisure time, increase of production, the extraordinary job the appliance companies have done in whetting the appetite, magazines—all of those things have created an enormous market.

But now we are in a position where we have this enormous capacity for sewing machines,

for flat irons, for steam irons, for automobiles, for television, and in order to keep this productive mechanism going we have got to increase these markets all the time. The proportion that will come from the engineer and the proportion that will come from the marketing in order to improve our material well-being, I think today, is disproportionately in favor of the latter.

Mr. Murray: Well, gentlemen, might there not come a time when we would have reached the point of saturation in our productivity? What happens if theoretically we produce more than enough washing machines? What happens to our economy then, if we overproduce, in other words?

Mr. Mazur: Well, I think the economist is still entirely correct when he says that there is no such thing as general overproduction, that there are no limits that anybody has a right to impose upon the desires of mankind. It may be that he will have as many refrigerators as he wants temporarily, that he will buy air conditioners, or he will buy television sets, or he will buy one of the other devices that come from the imagination of those working in the research laboratories, and that is where the purchases should be going.

Mr. Murray: Well, a few moments ago you made reference to unemployment and depressions and that certainly is something foremost in the minds of every American. Now what can we learn from the situation, for example, in a totalitarian state, where they apparently have full employment? Do we here in the United States have to have a constant rise in our living standards to keep full employment? The communists some-

times say they have full employment and yet their standards are far below ours. What can we draw from this?

Mr. Byfield: Well, I think we can't stand still in technology and production, because if we do we will slip backward. You have to define what you mean by full employment. It is a question if a man is employed for three days a week or four days a week whether he is fully employed, and in the totalitarian states, well the only thing I can say is that they may be employed, but so are the people in the jails in this country. From what I have read, the two situations are entirely comparable. I don't think we can talk about that sort of a thing. I think we have got to keep our discussion to the economics of free men.

Mr. Mazur: I agree with Bob. I think that it isn't a matter of employment in terms of assignment to a task. I think it is a matter of how many good things in life, whether it be bread or clothing or appliances or services, can be purchased by the hours available. The totalitarian system is simply a device of spreading whatever low standard of life there is. Whereas, we measure our method by determining how high we can make that standard of life.

Mr. Murray: With respect again to the propaganda of totalitarian states against our way of life, there is considerable confusion in the mind of the average American as to whether today we are enjoying a real prosperity or an artificially stimulated prosperity, and that brings us to the consideration of what effect the present so-called war economy is having on our prosperity.

Mr. Byfield: Well, I think that you have to go back to the source from which that idea sprang. Frankly, the idea that capitalistic countries like ourselves, who have an economic system which we call capitalism—capitalism is only a generic term, because there are many capitalisms, ours happens to be a sort of a people's capitalism. The germ of that idea came from a book written by Lenin many years ago, and that was based upon a theory of Karl Marx over a hundred years ago, and that had within it the strange dogma that capitalistic countries had to have periodic wars in order to stay prosperous.

But experience has been the opposite. For example, just take the record. In the last hundred years, we have been at peace 90 per cent of the time, 91 per cent of the time. We have done pretty well. The war economy is just about the worst thing that could happen. I know the communists don't agree with that, but they use upsidedown language. War brings debts, taxes, waste, tremendous maladjustments. Wars usually have hang-overs of inflation, they bring deflation, they destroy savings, they destroy life insurance policies, and, of course, worst of all, they bring death and destruction. Now that isn't anything that anybody in his right mind wants.

Mr. Murray: Mr. Mazur, would you care to comment?

Mr. Mazur: Well, I would like to agree with Bob's idealism, but I am afraid that 91 per cent, even though correct, could leave 9 per cent of very disastrous times. I would remind ourselves of the fact that at present American businessmen are talking about the risks of a depression, and we are find-

ing a great many statements coming from Washington denying that there is a depression ahead of us. This problem is very substantial and we should face it realistically. Presently we are spending 52 billion dollars for war-preparedness, and if you add the effect of the amount of money the government is spending, I think we find that we have gone a long way on the road to some kind of socialization.

In 1929, just to use that date, we spent about seven billion dollars in government expenditure and about 14 billion in private capital expenditure. Now we are spending 35 billion dollars in private and 100 billion in government. The ratio has shifted 6 to one, and there isn't much more margin for error. So when we reduce the war expenditure or when our capacities grow so as to absorb even more easily the present government expenditures and war expenditures, then the question arises as to what we are going to do for this necessary growth.

Mr. Murray: Each week, we invite listeners to submit questions which they would like to hear discussed by the speakers. This week, Chief Warrant Officer J. Tracy Oehlbech of Maxwell Air Force Base, Alabama, will receive a complete twenty-volume set of the American People's Encyclopedia for sending us his question relative to the subject tonight. Chief Warrant Officer Oehlbech's question is: "Do you believe that modern technology will eventually progress to such a stage that widespread unemployment will result?"

Mr. Mazur: If you are directing that question to me, first of all I would like to compliment our navy on that young man's intelligent

question. I think that it is something we ought to raise, we all should raise in our minds. I think the answer is a flat no. I cannot conceive that the desires of people are so limited that we could improve our technological production and overproduce in general terms against the requirements of humanity—or even the requirements of our own population, and we live in an economy of plenty, so far, unique in the world's history.

Mr. Byfield: Well, I would agree with you on that. That has been the old story about the machine replacing the man, which was raised in the beginning of the Industrial Revolution, and it just hasn't worked out. I mean there are many examples of that. I suppose the automobile put the harness makers out of business, but think of all the more people that are employed just in Detroit than

used to be employed making harnesses.

Mr. Mazur: And the oil business, and tire business, and rubber business.

Mr. Byfield: Well, I can tell you another thing. The number of horses on the farms has decreased and I suppose the demand for oats has gone down, but they just plant other things where the oats used to grow.

Mr. Murray: Well, gentlemen, now we have reached the more interesting portion of our question period, and that is the questions which we call from our studio audience. The ladies and gentlemen in the studio have several questions for you. I will recognize you as you raise your hand. Please indicate to whom your question is directed. The gentleman in the gray suit, please.

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QUESTIONS, PLEASE!

Questioner: Mr. Mazur, isn't there a growing difference between our ability to afford the services of a single workman, like a carpenter, and the services performed by a workman who makes a refrigerator with the aid of very efficient and large tools?

Mr. Mazur: I don't think there is any question but that there is. We have developed our economy not on a front that moves steadily. There isn't any doubt that the building industry to which you refer has made less use of mass production methods than the automobile industry or the refrigerator industry. In the building industry, there are other problems. There is the question of finance, and that is an offset to some of the increased costs. And there is also

some very marked increase in the improvement of technique. I think the answer to your question is that we have *not* made the same progress.

Mr. Murray: Are you satisfied with that answer, sir?

Questioner: Well, then doesn't that mean that the machine is more important than the man, really?

Mr. Mazur: No. The machine is important. But if the market has been stultified by man's inability to progress, then the machine is important if human beings don't allow machines to be used in competition with them. If we insisted on farming with a horse, Bob's horse, instead of a tractor, the same thing would be true.

Questioner: Mr. Byfield, how large is the part of management and brain power in the rise and consistent development of the U. S. economy?

Mr. Byfield: I think the part that management and brain power have played has been entirely underestimated. The American genius, if you can call it such, for production involves not only the man at the machine; it involves the foreman, it involves the plant manager, it involves administrative talent, and it involves finance. I think one of the reasons we succeeded so well is that we have been able to work more as a team. It is very interesting to have an up-to-date sidelight on that. Recently there has been a book written in England. You can't accuse them of being biased in one way or another. For the last three years there have been 66 Anglo-American productivity teams over here studying American production. They went back to England and they came to some interesting conclusions. I can't give you all of them here, there wouldn't be time, but they all stressed the teamwork among Americans, and I quite agree with you that the phase of our production, the credit for our production, has not been emphasized enough in favor of management and the inventor particularly.

Mr. Mazur: I would like to make one comment on that British team. I think they have done what Bob says, but I also think they missed seeing the ball. They have put all the emphasis on our production mechanism and no emphasis upon our mass marketing, and that is the thing in which I think Great Britain has its greatest problems.

Mr. Byfield: I think that Great

Britain has this difficulty. After all, we are 160 million people, and their population is much less, and a good part, a much larger part, of their production goes for export. Ours does not. We can run our machines faster and longer, because the products are more standardized. But if a share of our market was larger as far as exports are concerned, we would have to have shorter runs at higher costs to be able to service varying tastes and styles which are demanded by export markets.

Mr. Mazur: We haven't time to debate it, but I wouldn't agree, Bob. I think that the coal situation of Great Britain is a striking example of the exception to what you said.

Questioner: My question is addressed to Mr. Mazur. Doesn't the free enterprise system which we profess to exercise here in the United States involve a sound capital investment precision which is essential to production?

Mr. Mazur: May I say first that I don't think we have a free competitive system. I think we have a free enterprise system, I think we have a competitive enterprise system, and all you have to do is to look at the number of letters that can be attached to the bureaus in Washington to see how free we are of freedom. But there isn't any question, nevertheless, as to the substance of your question. There isn't any doubt but that we need capital, and I think you would find if you followed the discussions of businessmen in their meetings when they decide to put up capital, they put it up only if they are convinced that the product of that particular unit which they are going to finance has a ready market. In other words, they try to measure the consumer market,

and if they fail to measure it, then that particular investment that they have made becomes nothing but deadly bricks and mortar.

Questioner: There is no question about that, sir, but what I am talking about is a sound investment procedure, and I want to emphasize that word *sound*. Of course there is no use in manufacturing the goods unless you can sell them.

Mr. Mazur: The only difference is that I am emphasizing that the marketing end is part of sound. I agree with you that it has to be sound. I say the soundness will be determined primarily by the marketing ability.

Questioner: Yes, sir, but what I am emphasizing is the fact that there is such a thing as money with brains and that is the kind of money that lasts and stays with families for generation after generation. I think if we get away from this sound investment procedure which I am talking about, even though it looks like there may be a market for what you intend to make, you may get into a great deal of trouble.

Mr. Mazur: I agree, but I say the soundness will finally be determined by the fact of the market or the lack of the market. That happened in 1937, by the way, with very striking results—where they missed the measurement of the markets and where the investment proved to be over-investment.

Mr. Murray: Mr. Byfield, were you about to comment on that last question?

Mr. Byfield: Well, on that question, I think it is pertinent as far as a sound financial system is concerned. I don't think that too many of us have thought about this phase. I think there are many

different kinds of capitalism, but I think the characteristics of our system have been that it is competitive, it's centralized, and has a reasonable amount of economic flexibility. In our system, the stress is on *voluntary* raising of capital. I think that is the great distinguishing mark. I mean from my own personal experience, perhaps also Mr. Mazur's.

When you sell stocks and bonds for the purpose of raising capital for industry to create jobs and machines, it is done on a voluntary basis. There is nobody who has to buy them, but the socialist and the other collectivist organizations of society depend on a different basis, which is a distinguishing feature. There, the man who saves has no option. They come and take it away from him, they tax him, or they force him to buy government bonds. I think that is the distinguishing feature between the two systems.

Mr. Murray: We have time, I think, for one more question from the lady on my right.

Questioner: Mr. Byfield, do you think the present attitude in the United States toward a possible recession is more favorable toward withstanding it, should it come, than was the case in 1929?

Mr. Byfield: Well, I think that one of the difficulties now is that we are trying to talk ourselves into some kind of a depression. I don't think we are going to succeed. I think that it is the old story of the cat that once sat on a hot stove lid and got burned and after that she wouldn't sit on any kind of a stove lid, not even a cold stove lid. And I think we are approaching this thing entirely too neurotically. Of

course a lot of it is due to propaganda of various kinds. There are lots of people in the world, and you know whom, that have a vested interest in any depression that we might set up here.

Mr. Mazur: May I inject one thing here? I think the answer to your question is unqualifiedly

yes. We are in a much better position than we were in 1929.

Mr. Murray: Well, gentlemen, I'm sorry our time has run out. We wish to thank you, Mr. Paul Mazur and Mr. Robert Byfield, for your most stimulating discussion of What Makes Prosperity—Man or Machine?



FOR FURTHER STUDY OF THIS WEEK'S TOPIC

Background Questions

1. What factor or force has given the greatest impetus to the accumulation of wealth in America?
 - a. Evaluate the theory (advanced by economist, Kenneth Boulding) that "the technical and economic progress of the past three hundred years is to an extraordinary extent a byproduct" of the "Protestant way of life" which valued honesty, hard work, thrift and temperance.
 - b. To what extent does the classical view of Adam Smith and John Stuart Mill, that the force of self-interest and the prospect of self-betterment create prosperity, apply to America?
 - c. Is the contention that in America enterprising men found vast natural resources at the right historical moment correct?
 - d. Would any amount of Protestant diligence and classical self-interest have sufficed to produce our present standard of living had this natural endowment not existed?
2. Is there any one facet of American economic life today that is the key to our prosperity?
 - a. Is it a high level of productivity or purchasing power?
 - b. Is it our system of mass distribution and a high level of consumption?
 - c. Or, are all equally important to economic progress?
3. Is our economy correctly described as a consumer economy? If so, was the development of this consumer economy the result of a philosophy positing the good life for all?
4. Has this socio-economic philosophy prevailed throughout American history? Or, is it a relatively new phenomenon?
5. What are the basic characteristics of a consumer economy?

- a. Are techniques of mass production and distribution essential conditions?
 - b. To what extent are a concept of universal economic welfare and the goal of constantly rising living standards prerequisites?
 - c. Is the replacement of utility by style and obsolescence as values basic to consumer economy?
 - d. Are extensive advertising and installment buying vital facets of a consumer economy?
 - e. Is advertising the most vital link between mass production and distribution? Are other values, besides the economic value of the product, fostered by advertising? Are these always socially desirable?
 - f. Does a high level of consumer credit constitute a particularly vulnerable part of the economy?
6. What is consumption?
- a. Is a good consumed at the moment it is purchased *or* used up (destroyed)?
 - b. If the latter, is increasing consumption always desirable?
 - c. Evaluate the contention that we can consume ourselves into a drastically lower standard of life by exhausting basic raw materials. Can we assume that we will always find and develop substitutes and synthetics?
7. Is it true that Americans are now saving at the highest peace-time rate in all history?
- a. If so, is such saving done at the expense of increased consumption and higher living standards?
 - b. Does such saving serve an important and fundamental function in our economy? If so, would it be a mistake to completely discard thrift as a socially desirable value?
8. How stable is the American economy at the present time? Are we in greater danger of inflationary or deflationary pressures?
9. Is a rising level of consumption necessarily indicative of rising living standards?
10. Are constantly rising levels of consumption and living essential to the maintenance of full employment? Is full employment necessarily an indication of high living standards?
11. What is the relationship between increasing leisure and consumption levels? living standards?
12. What has been the impact of wars, hot or cold, on the American economy?
- a. Have wars accelerated the rate of technological development?
 - b. Has defense spending lowered or stabilized our living standards?

- c. Has the United States been able to produce both guns and butter? Can we afford to do so indefinitely?
 - d. Are we overexpanding our production facilities in trying to maintain rising living standards during a period of mobilization?
 - e. Is there a backlog of civilian demand to take up the slack when defense production is curtailed? Or, is a recession to be expected?
13. Should rising standards of living be the sole criterion for action in the United States?
- a. Is a leveling off of living standards fatal to the economic health of the community?
 - b. Can you have a high standard of living in an economy that is basically unsound and unstable?
 - c. Are there political and moral values independent of economic standards that take precedence as criteria of policy in an era of world-wide tension and ideological conflict?
14. How do our living standards compare with those of South America, Europe, Asia and Africa?
- a. Does the preservation of our society depend as much on rising living standards abroad as at home?
 - b. Can these goals be achieved simultaneously? If not, which takes precedence?
 - c. Is the discrepancy in concepts of good living standards here and abroad tension-producing? Can we afford to insist on the superiority of our values?
15. Are a competitive economy and political freedom mutually interdependent? Or, is this just the trend the development of American institutions took?
- a. Has democracy in Britain suffered because of the socialization of certain segments of its economy?
 - b. Is a competitive economy a luxury we acquired through years of peace, isolation, vast natural wealth and relative self-sufficiency?
 - c. Should we urge other nations to develop economic systems similar to ours? Are such efforts likely to prove successful?

